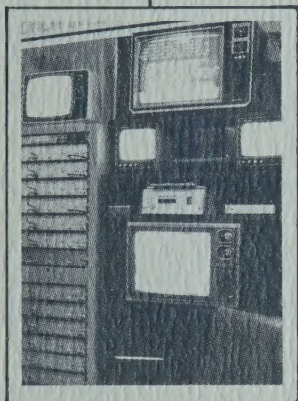
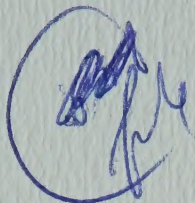


AR79



CED

1978

sixteenth
annual
report

canadian
enterprise
development
corporation
limited

CED

what is CED?

Canadian Enterprise Development Corporation Limited is a venture capital company. The word "venture" implies risk and that is the nature of our business. We supply risk capital. This broad definition covers a wide range of investments in different forms, in companies at different stages of development and in different industries. The summary of our investment activity in 1977 on page 12 together with the brief descriptions of the companies with which we are associated given in the following pages of this report illustrate the range of our investment activity. More specifically, we are prepared to consider investing either alone or with others:

to help start new companies.
Historically, a third of our investments have been of this nature.

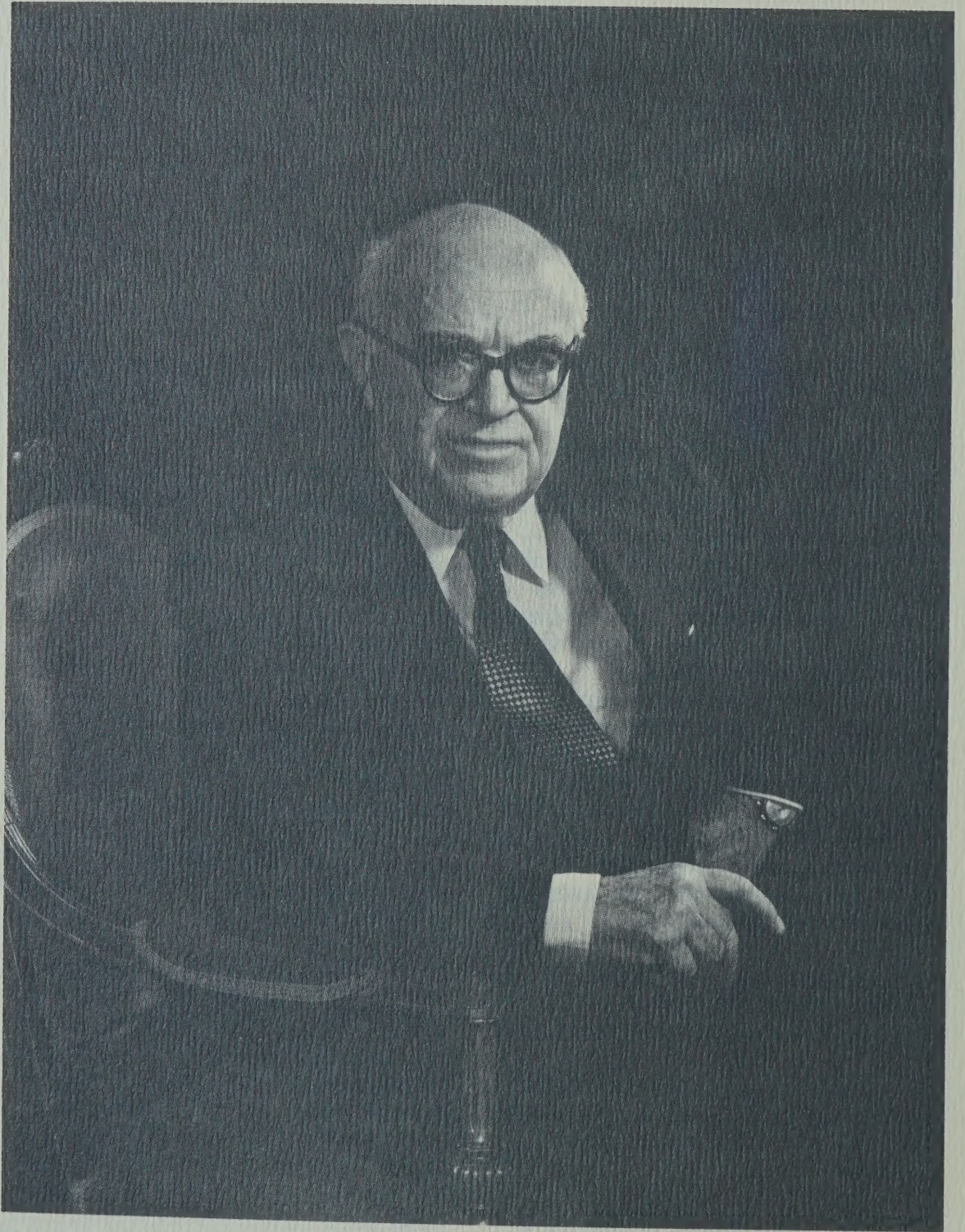
in an existing company that needs additional risk capital to overcome a setback or to finance continued growth.

to assist management to acquire a company whose owners, whether domestic or foreign, wish to sell.

jointly with a major company to develop an idea or product that has emerged from their own research.

We are not passive investors. Through representation on the Boards of the companies with which we are associated we make available the full resources of CED to management and assist in any way we can to help the company achieve its objectives. It is only from success in this endeavour that we ourselves can benefit from income and capital appreciation on our investment. At the same time, it is not our policy to control or manage the companies with which we are associated. Our preference is to invest on a minority basis and our desire is to assist people to achieve their goals, not to direct them.

Our staff, though active, is small in number and we must therefore be selective in our investment decisions. We do not promise to invest in every situation that comes our way. We do promise time and attention to any serious-minded entrepreneur who would like to discuss his ideas with us. No introductions are necessary for these proposals; a call or letter to any of our offices in Montreal, Toronto and Vancouver is all that is required.



HERBERT H. LANK, Chairman of the Board of Canadian Enterprise Development Corporation Limited
1966 — 1979.

© Karsh Ottawa

sixteenth annual report to shareholders

The past year has been one of continued progress for the Company. Our net asset value at year end, as a result of continued growth on the part of our portfolio companies and a reasonably good stock market, rose to \$14.56 per share from \$12.58 a year earlier and \$11.45 at the end of 1976. Since our income from long term investments rose sharply as more of our portfolio companies were in a position to commence paying dividends, and since our expenses were held at a fairly stable level, net operating profit rose to \$314,063 from \$200,212 the previous year. On January 15, 1979 the Company paid a modest dividend of 10¢ per share in relation to 1978 earnings — the first dividend to our shareholders since we were formed in 1962. Our shareholders have had a long wait for a cash return on their investment and we are particularly pleased that their patience is now and should continue to be rewarded.

CED made four new investments in 1978:

Coffees of the World is a chain of specialty coffee and tea shops started by Tim and Teresa Snelgrove while Tim was taking his M.B.A. degree at The University of Western Ontario in 1975. It was one of our contest winners in 1977. In 1978 the Company started opening stores in the United States, initially in Cleveland, Ohio and Washington, D.C. Our investment of \$200,000 was made to help them in this endeavour. At year end the Company had 12 stores in operation.

All-View Interphase Systems Inc. specializes in building master antennae systems for apartment buildings and condominiums. These systems are sold to the owners who purchase them over a ten-year period

with monthly payments that are competitive with rates paid for cable service. Other advantages of the systems are the number of channels provided, clarity of reception and safety features such as camera monitoring of garages and hallways. The systems can also feature closed-circuit TV and emergency messages. At the end of 1978 All-View had systems covering nearly 20,000 housing units in the Toronto — Niagara Falls — Kitchener triangle.

Pacific Rim Group operates a chain of wilderness resorts on the Pacific coast of the United States and Canada. Use of the resorts is confined to members, who pay an entrance membership fee which at latest report was \$3,500 U.S., and an annual maintenance fee. This entitles the members to use any of the facilities at any time. At the end of 1978 Pacific Rim had 7 resorts in operation and 8,200 members. CED's investment was to enable the company to expand into Canada.

Slocan Forest Products Inc. operates a sawmill in Slocan, B.C. with annual cutting rights of 100,000,000 fbm of timber. The company was formerly owned by Triangle Pacific Inc. of the United States and our investment was to assist the Canadian management to acquire the mill from the U.S. parent.

These investments illustrate the variety of situations in which CED is prepared to invest: enabling a Canadian company to expand abroad in a service operation; helping a Canadian technological company to overcome a capital problem through a combination of term loans, bank debt and venture capital; assisting a foreign company to open up a service to Canadians and assisting Canadian

management to acquire an operation from an owner that wished to sell. In two of these cases we were the sole venture capital investor and in the other two we invested in association with others.

Additional investments in existing portfolio companies amounted to \$1,357,597 bringing the total value of our investment activity to \$2,689,509. However \$3,363,812 was received from net realizations. Our working capital accordingly increased to \$3,303,527 at year end from \$2,438,789 a year earlier.

The purchases and sales of investments are detailed on page 12. One transaction in particular, that relating to Conventures Limited, warrants some explanation. In 1977 CED invested \$350,000 in 7% convertible income debentures, convertible over 8 years at prices escalating from \$3.50 per share. In January of 1978 we converted these debentures and sold the shares at a little over \$8 each, reinvesting the proceeds in new 5% convertible secured notes of Conventures, convertible at \$8 per share for four years. This transaction therefore shows as a realization and as an investment.

The Canada Enterprise Awards contest attracted a record number of entries. This contest is operated in conjunction with The Financial Post and La Presse and provides for two awards of \$7,500 for the best business plans designed to bring a new product or service to the point of profitability in three years, using no more than \$1,000,000 of equity capital. The winners last year were Sciex Inc. and Canadian Fracmaster Ltd. Sciex has developed a superior and highly sensitive machine for the detection and

analysis of odors. Used initially in environmental controls, the machine has potential uses in medicine and industrial control applications. In 1978 the Company made its first sales. Canadian Fracmaster is a Calgary-based company which started in 1977 providing an oil well fracturing service to oil companies. The principals had developed means of transporting 1500 h.p. engines over the highways and thus brought in more power to bear at the well site. Their business developed rapidly and was profitable in its first year of operation. The Company's business plan was to broaden the operation into other areas of well servicing.

Early in 1978 we were saddened by the death of one of our Directors, Mr. Alfred T. Seedhouse, who was Chairman of the Manufacturers Life Insurance Company. Mr. Seedhouse had been a Director of CED since 1968. Later in the year Mr. S. Robert Blair, who had been a Director for only a few years, submitted his resignation because of the pressure of his activities as Chairman and Chief Executive Officer of The Alberta Gas Trunk Line Company Limited.

We were, however, fortunate in being able to attract Mr. Franklin S. McCarthy and Mr. Robin J. Abercrombie to our Board of Directors. Mr. McCarthy was until recently President of DuPont of Canada Limited and is now Vice-Chairman and Chief Executive Officer of Petrosar Limited. Mr. Abercrombie is a senior Vice-President and a Director of The Alberta Gas Trunk Line Company Limited in Calgary.

A further change regretfully comes at our Annual Meeting. Due to our age limitation provision Mr. Herbert H. Lank will not stand for re-election as a

Director. Mr. Lank has been on our Board since 1965 and has been Chairman of the Company for the past 13 years. He has served on the Boards of many of the largest Canadian companies but he has always had time for CED. His eagle eye and sharp questioning kept the staff on their toes and will continue to do so, for he has agreed to accept an appointment as an Honorary Director and in this capacity will be invited to attend future Board meetings.

In December 1978 Derek Mather, who has been with CED since its inception and was Senior Vice-President, was appointed Executive Vice-President in recognition of his outstanding contribution to the Company. In January 1979 Tom James joined our Toronto office as Assistant Vice-President.

As in previous years brief summaries of developments in the companies with which we are associated are given elsewhere in this report. Most of them made good progress in 1978. In total, the 16 companies engaged in manufacturing or the provision of services in Canada with which we were associated in both 1977 and 1978 showed an increase in sales to \$264 million from \$233 million and in their profits to \$20 million from \$18 million.

There were, however, some disappointments. Penta Sports Products, with which we had struggled for some six years to build into a profitable entity, proved not to be viable, a contributing factor being the effect of the deteriorating exchange rate on the costs of imported products. Our investment, which reached a peak of \$332,272, had been written down over the years and was completely written off in 1978. Similarly, other realized losses in 1978 had been fully

provided for in the portfolio valuations of previous years.

A problem for us at the present time is Westmills Carpets Limited. This company, which had done so well in the late 1960's and early 1970's, found itself with excess capacity in 1975 when the period of rapid growth of the Canadian carpet market ceased. A program of reorganization and retrenchment ensued but substantial losses continued to be incurred. At the end of 1977 a newly appointed President submitted his resignation in order to return to the United States. Our review of the situation concluded that in the light of the continuing highly competitive conditions in the carpet industry in Canada further adjustments had to be made in the organizational structure of Westmills, a financial reorganization undertaken and new capital raised. Derek Mather of CED was appointed President of Westmills Carpets Limited with the responsibility of carrying out this program. More information on Westmills is supplied on page 24 of this report.

For 1979 economic prospects are, as always, uncertain. However, they are by no means discouraging. The Canadian economy continues to grow at a modest pace and the devaluation of the dollar in 1978 has provided the manufacturing sector with temporary relief from the burden of the cost disadvantage under which it had laboured throughout most of the 1970's. At the time of writing our portfolio companies continue to report improving sales and earnings. As they prosper, so do we.

G. D. Sutton
President

canadian enterprise development corporation limited

965 Sun Life Building
Montreal, Canada H3B 2W6
(514) 878-2764

199 Bay Street, Suite 1103
Toronto, Ontario M5J 1L4
(416) 366-7607

1111 West Hastings Street
Vancouver, B.C. V6E 2J3
(604) 684-3271

Officers and Staff

HERBERT H. LANK
Chairman of the Board

ALISTAIR M. CAMPBELL
Chairman of the Executive Committee

GERALD D. SUTTON
President

DEREK H. MATHER
Executive Vice President and
Secretary-Treasurer

RICHARD BURKE
Vice President

THOMAS A. JAMES
Assistant Vice President

CECILE GAUTHIER
Assistant Treasurer

Directors

ROBIN J. ABERCROMBIE
Senior Vice President
The Alberta Gas Trunk Line
Company Limited, Calgary

DR. CLAUDE BERTRAND
Professor of Neurosurgery
Université de Montréal, Montréal

ALISTAIR M. CAMPBELL
Chairman of the Executive Committee
Sun Life Assurance Company of Canada,
Ottawa

EDWARD H. CRAWFORD
President, Canada Life Assurance
Company, Toronto

ROBERT M. FOWLER
Chairman, Executive Committee
C. D. Howe Research Institute, Montreal

GORDON E. INNS
Executive Vice President, Bell Canada,
Toronto

JOSEPH JEFFERY
Chairman, The London Life Insurance
Company, London, Ontario

JOHN T. JOHNSON
Partner, Borden & Elliot,
Toronto

MICHAEL M. KOERNER
President, Canada Overseas
Investments Limited, Toronto

HERBERT H. LANK
Honorary Director, DuPont of Canada Limited,
Montreal

ALEXANDER G. LESTER
Retired Executive Vice President,
Bell Canada, Montreal

FRANKLIN S. McCARTHY
Vice Chairman and Chief Executive Officer,
Petrosar Limited, Corunna, Ontario

GERALD D. SUTTON
President, Canadian Enterprise
Development Corporation Limited
Toronto

Honorary Director

GEORGES F. DORIOT
Director, Digital Equipment Corporation
Boston

Institutional Stockholders

The Alberta Gas Trunk Line Company
Limited

Alliance Mutual Life Insurance Company

American Research and Development
Corporation

Bank of Montreal

Caisse de Dépôt et Placement
du Québec

The Canada Life Assurance Company

Canadian Pacific Investments Ltd.

CDFC Holdings Limited

Confederation Life Insurance Company

Crédit Foncier Franco-Canadien

Dominion Securities Limited

Du Pont of Canada Limited Pension
Trust Fund

The Excelsior Life Insurance Company

The Great-West Life Assurance Company

The Imperial Life Assurance Company
of Canada

Industrial Life Insurance Company

The London Life Insurance Company

The Manufacturers Life Insurance
Company

The Monarch Life Assurance Company

The Mutual Life Assurance Company
of Canada

Nesbitt, Thomson and Company Limited

The Royal Trust Company

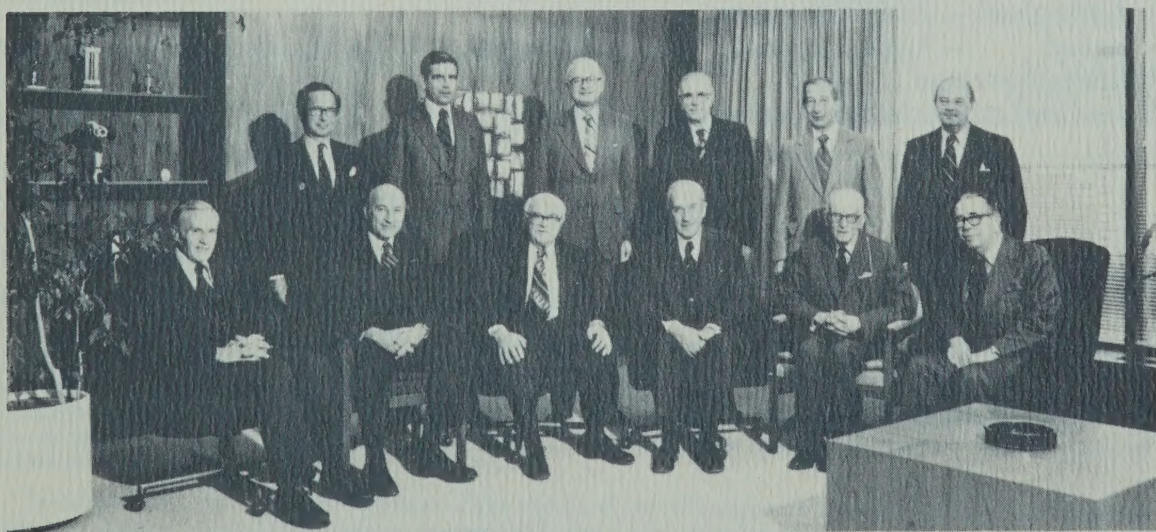
Strength Finance & Development Co.
of Canada Ltd.

Succession Honorable J. Marcelin
Wilson

Sun Life Assurance Company of
Canada

Technical Development Capital Limited

The Toronto-Dominion Bank



*DIRECTORS AND STAFF OF CANADIAN ENTERPRISE DEVELOPMENT CORPORATION LIMITED —
From left, seated, Dr. C. Bertrand, G.D. Sutton (President), Herbert H. Lank (Chairman), Alistair M.
Campbell (Chairman, Executive Committee), General Georges F. Doriot (Honorary Director), A.E. Lester;
standing, Michael M. Koerner, Derek H. Mather (Executive Vice-President), E.H. Crawford, Joseph
Jeffery, Gordon Inns and J.T. Johnson.
Absent were: R.M. Fowler, F.W. McCarthy*

canadian enterprise development corporation limited

(Continued under the Canada Business Corporations Act)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1978

ASSETS	1978	1977
Current		
Cash	\$ 56,176	\$ 48,016
Short-term investments at cost which approximates market	3,373,182	2,233,115
Accrued revenue and miscellaneous receivables	138,695	216,696
	<u>3,568,053</u>	<u>2,497,827</u>
Investments (Note 2)	12,533,898	11,239,231
Due under the stock purchase plan	—	470,967
Furniture and equipment at cost, less accumulated depreciation	10,241	8,392
	<u>\$16,112,192</u>	<u>\$14,216,417</u>
 LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 132,474	\$ 35,857
Dividends payable	108,871	—
Income taxes payable	23,181	23,181
	<u>264,526</u>	<u>59,038</u>
 SHAREHOLDERS' EQUITY		
Capital stock (Note 3)		
Authorized — 2,000,000 shares		
Issued — 1,088,714 (1977: 1,125,160) shares	10,929,498	11,403,267
Retained earnings	2,377,232	1,508,663
Unrealized appreciation of investments (Note 1)	2,540,936	1,245,449
	<u>15,847,666</u>	<u>14,157,379</u>
	<u>\$16,112,192</u>	<u>\$14,216,417</u>

On behalf of the Board:

H. H. LANK, Director

G. D. SUTTON, Director

canadian enterprise development corporation limited

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1978

	1978	1977
Revenue		
Revenue from short-term investments	\$ 168,214	\$ 175,212
Revenue from long-term investments, including consulting fees	699,546	498,414
	<u>867,760</u>	<u>673,626</u>
Expenses		
Employee remuneration	307,156	218,849
Other expenses	246,541	254,559
	<u>553,697</u>	<u>473,408</u>
Net income	<u>314,063</u>	<u>200,218</u>
Net gains on dispositions of investments	<u>663,483</u>	<u>177,081</u>
Net income and gains before income taxes	977,546	377,299
Income taxes (Note 4)	<u>106</u>	<u>53,245</u>
Net income and gains for the year	977,440	324,054
Retained earnings at the beginning of the year	<u>1,508,663</u>	<u>1,184,609</u>
	2,486,103	1,508,663
Dividends	<u>(108,871)</u>	<u>—</u>
Retained earnings at the end of the year	<u>\$2,377,232</u>	<u>\$1,508,663</u>

AUDITORS' REPORT

To the Shareholders,

Canadian Enterprise Development Corporation Limited

We have examined the consolidated balance sheet of Canadian Enterprise Development Corporation Limited, as at December 31, 1978 and the consolidated statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. It was not practicable for us to substantiate the values, determined by the Board of Directors of the Company, of certain unquoted investments.

In our opinion, subject to the fairness of the values of certain unquoted investments referred to above, these consolidated financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants.

Montreal, Quebec
January 31, 1979

canadian enterprise development corporation limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1978

1. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Canendev Investments Ltd., a wholly owned subsidiary.

Investments

The long-term investments are recorded at market value or at the fair value determined by the Board of Directors; the excess of market of fair value over cost is shown under Unrealized appreciation of investments.

The potential income tax liability applicable to the unrealized appreciation of investments is calculated on the assumption that all investments are disposed of at their recorded values at balance sheet date. For financial statement purposes such potential liability is deducted from both Investments and Unrealized appreciation of investments.

The unrealized appreciation of investments and the related potential income tax liability are excluded from the determination of earnings.

Gains and losses and applicable income taxes resulting from dispositions of investments are recorded in earnings when realized.

Pension plan

The Company has a pension plan for its employees which is contributory and trustee. Related costs, net of employees' contributions, are charged to earnings as paid. The plan is fully funded.

2. Investments

The investments comprise the following:

	1978		1977	
	Cost	Market or fair value	Cost	Market or fair value
Quoted shares	\$5,375,538	\$ 8,476,415	\$5,001,437	\$ 6,794,000
Unquoted shares	1,534,032	1,436,844	1,864,532	1,217,999
Loans and advances	3,083,391	2,675,639	3,127,813	3,227,232
Provision for income taxes on unrealized appreciation	9,992,961	12,588,898	9,993,782	11,239,231
	—	(55,000)	—	—
	<u>\$9,992,961</u>	<u>\$12,533,898</u>	<u>\$9,993,782</u>	<u>\$11,239,231</u>

3. Capital stock and Stock Purchase Plan

During the year the Company terminated the Employee Stock Purchase Plan and redeemed, at a price of \$13 per share, 36,446 shares of its capital stock which had been allocated under the Plan and remained unpaid at the time of its termination.

4. Income taxes

The provision for income taxes does not bear a normal relationship to earnings because certain elements of income are not taxable.

5. Statement of changes in financial position

Such a statement has not been included because it would not provide meaningful information.



LOGISTEC CORPORATION — Aerial view of the Montreal container terminal showing two transtainers and the portainer crane discharging a vessel.

principal portfolio changes during 1978

PURCHASES

All-View Interphase Systems Inc.	\$ 375,015	Note and shares
Coffees of the World Inc.	200,022	Note and shares
Conventures Limited	700,000	Convertible notes
Corod Manufacturing Ltd.	21,417	Note and shares
Digitech Ltd.	58,824	Shares
MIL Industries Ltd.	150,000	Debenture
Motorman Inc.	125,500	Note and shares
Pacific Rim Group Inc. and Thousand Trails (Canada) Inc.	406,875	Shares
Penta Sports Products Limited	10,000	Note
Slocan Forest Products Ltd.	350,000	Shares
Westmills Carpets Limited	291,856	Notes and shares
	<u>\$2,689,509</u>	

DISPOSITIONS

Canadian Foremost Ltd.	\$ 225,000	Sale of shares
Conuco Limited	735,000	Sale of shares
Conventures Limited	699,079	Sale of shares
Glasrock Products of Canada Ltd.	26,127	Sale of shares
Logistec Corporation	676,475	Sale of shares
Taurus Oils Limited	327,273	Sale of shares
Teleprompter Corporation	361,444	Sale of shares
Sundry repayments of notes & shares	313,414	
	<u>\$3,363,812</u>	

OTHER

European Enterprise Development Company	\$ 216,482	Written off
ESE Limited	250,000	Notes and shares exchanged for \$38,177 note of Codex Inc.
Forestral Automation Ltd.	50,000	Written off
Jasper Oils Ltd.	500,000	Notes and shares exchanged for \$782,740 convertible 4% preferred shares of Conuco Ltd.
Penta Sports Products Ltd.	341,672	Written off
Telephonax Inc.	134,597	Written off
Westmills Carpets Limited	401,900	Convertible debentures exchanged for preferred shares with warrants



The HEP pumping unit developed by Canadian Foremost Ltd. The HEP system allows each oil well to be produced in a pumping cycle to best optimize the production of that well for its own reservoir characteristics.

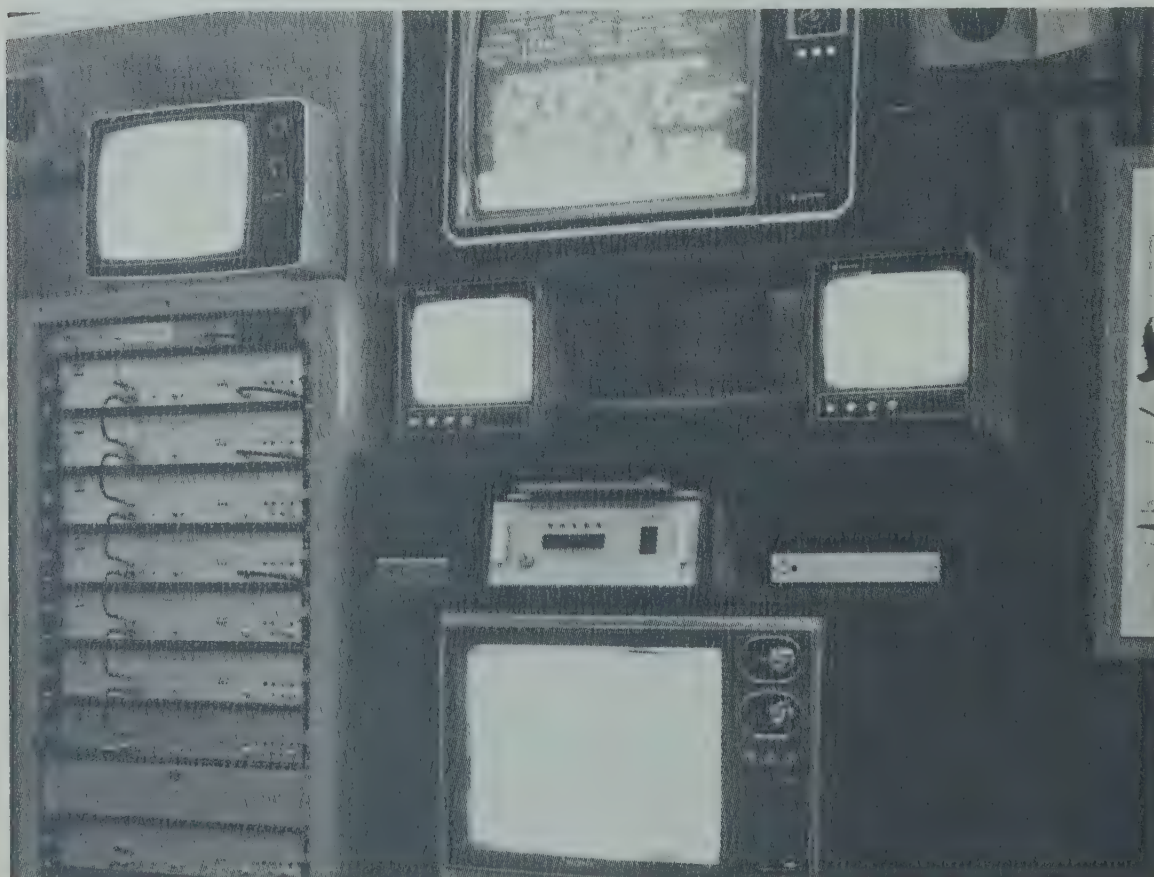
portfolio companies

ALL-VIEW INTERPHASE SYSTEMS INC.

875 Gillian Street
Mississauga, Ontario
L5C 2T9
Tel: (416) 279-5744

All-View installs master antennae systems in multi-unit residential buildings. The systems are sold to the owners over a ten-year period with monthly payments per unit that compare favourably with rates charged by cable television. Through its advanced technology All-View provides superior reception, wider choice of channels without the need for a converter, security features and an

option for emergency announcements. At the end of 1978 close to 20,000 residential units in southern Ontario were receiving television signals over All-View equipment. In addition, through a subsidiary, the Company operates a closed-circuit pay TV network which at present is confined to only 1400 residential units but which is capable of being expanded. In February 1979 a 51% ownership in the Company was acquired by Baton Broadcasting Inc. with an investment of \$2.5 million in order to enable the Company to market its systems more aggressively not only in Canada but also in the United States.



ALL-VIEW INTERPHASE SYSTEMS' display booth at the H.U.D.A.C. show at the Sheraton Centre in Toronto, February 1979 showing their new advanced security systems, MATV head-end processing equipment and in-house security and communication system, which is sold to owners of multiple dwelling units.

ASI TELEPROCESSING INC.

101 Morse Street
Watertown, Massachusetts 02172
U.S.A.
Tel: (617) 923-1850

ASI Teleprocessing is a young company with special skills in the rapidly growing telecommunications industry. These include a large vocabulary voice-response capability. Among its product lines is a particularly flexible retail polling system. Sales for the year ended January 31, 1979 were approximately \$1.7 million as against \$0.8 million for the previous year. A small profit was earned which contrasts with a loss suffered the previous year. A new management team has been assembled under the leadership of Mr. Robert Baron, an entrepreneur/manager with a successful track record. Recently the company received orders for its first two bilingual voice-response systems, both for installation in Canada.

ATTIC RECORDS LTD.

98 Queen Street East, 3rd Floor
Toronto, Ontario
M5C 1S6
Tel: (416) 862-0352

Attic is widely recognized as Canada's leading independent record company. Canadian artists and writers under contract to Attic continued to develop in 1978, particularly Triumph, Greg Adams, Patsy Gallant and Hagood Hardy. The high point was the negotiation of an arrangement with CBS records of Canada Ltd. whereby the latter company will distribute and market the Attic catalogue of product in Canada. Attic is the only independent label distributed by CBS, Canada's largest distributor.



ATTIC RECORDS LTD. — Early in 1979 arrangements were concluded for CBS Records Canada Ltd. to distribute in Canada records published by Attic. This photograph taken at the signing ceremony shows Tom Williams and Al Mair of Attic Records seated on the left with Arnold Gosewich, Chief Executive Officer & Chairman of the Board of CBS Canada and Terry Lynd, President of CBS Canada. Standing are Executive Officers of CBS. This is the first time that CBS has agreed to distribute records of another publisher.

BAY MILLS LIMITED

365 Evans Avenue
Toronto, Ontario
M8Z 1K2
Tel: (416) 252-5711

Bay Mills fabricates fibreglass products at Midland, Ontario and at a plant jointly owned with Certain Teed Corporation at Wichita Falls, Texas. It also manufactures non-woven scrim for use as a reinforcing material at St. Catharines, Ontario and Albion, New York. For the year ended July 31, 1978 sales from its continuing business rose to \$17.9 million from \$14.1 million the previous year. Net profit per share after tax on continuing operations was \$1.42 (excluding capital gain per share of \$2.07 on the sale of the Mia Division) vs. \$.92 the previous year. A joint venture with a European company in the United States has been undertaken to produce corrosion control fabrics. All divisions of the Company are doing well and management expects net profits to post a further increase for the year ending July 31, 1979.



BAY MILLS LIMITED — A piece of non-woven scrim produced by the Bayex Division of Bay Mills Limited being tested in the lab. Bayex products are manufactured in plants at St. Catharines, Ontario and Albion, New York.

CANADIAN FOREMOST LTD.

3030, 2nd Avenue N.E.
Calgary, Alberta
T2A 5N7
Tel: (403) 248-3322

Canadian Foremost designs and builds heavy-duty tracked and wheel vehicles for use in off-highway applications. The Company has also developed a hydraulic electronic pump for pumping oil wells, initial deliveries of which were made during 1978. Total sales for the year were \$10.3 million compared with \$13.8 million in 1977, and net profit after taxes fell to \$715,000 from \$1.5 million.

CENTRAL DYNAMICS LTD.

147, Boulevard Hymus
Pointe Claire, Québec
H9R 1G1
Tel: (514) 697-0810

Central Dynamics manufactures a broad range of advanced electronic equipment combined with systems projects for television studios around the world. As such, CDL equipment is compatible for use in NTSC, PAL and SECAM configurations. For the year ended March 31, 1978, sales declined to \$6.2 million from \$8.1 million in the previous year and the company incurred a loss of \$1.4 million compared with a loss of \$2.8 million in fiscal 1977. Management changes, which were made in August 1977, set in motion a cost reduction program so

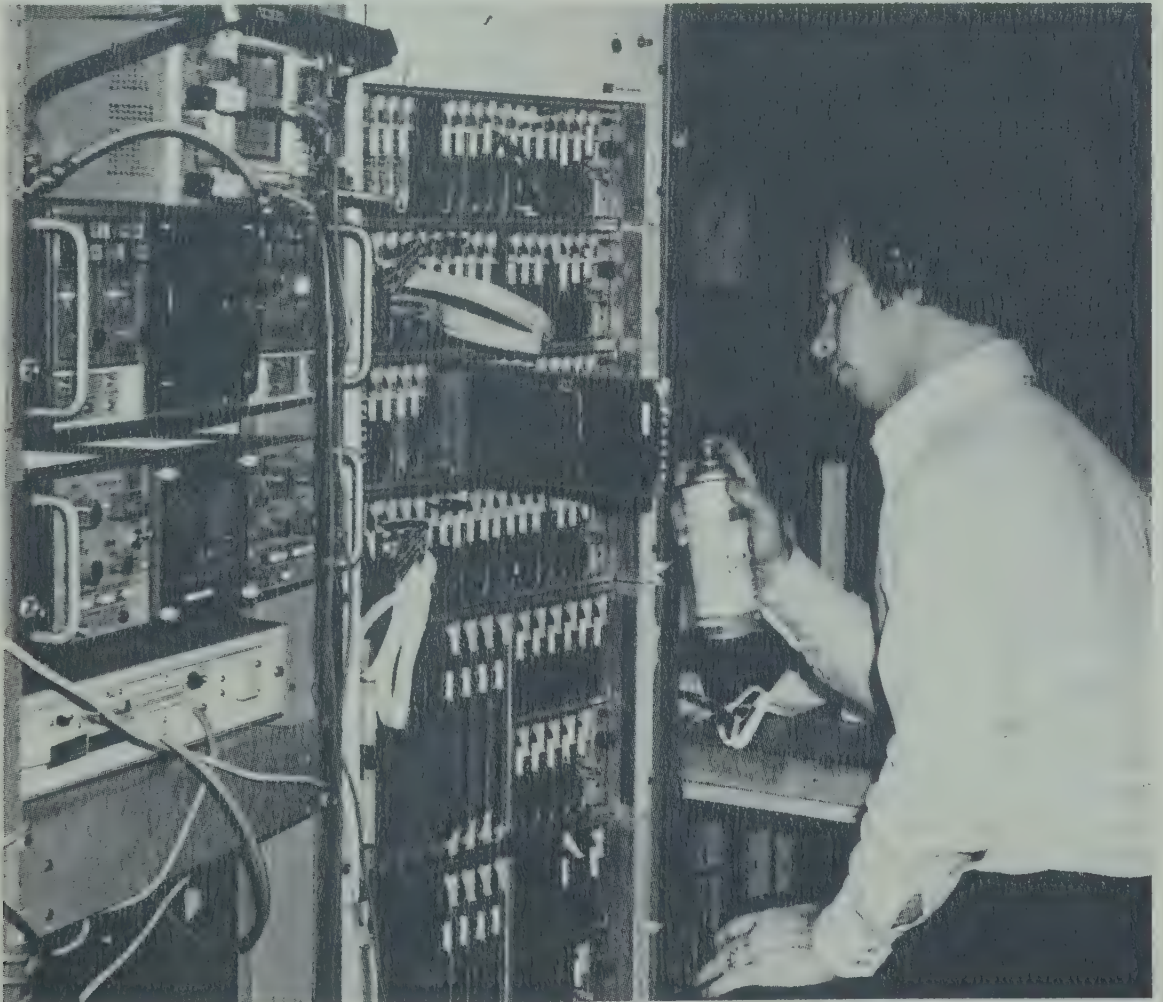
that during the first nine months of the current fiscal year to December 31, 1978, the company reported a profit of \$324,000 on sales of \$5.5 million. However the order backlog, though still healthy at \$2.9 million, was 50% lower than at the end of December 1977 and the balance sheet still suffers from the effect of the losses incurred in the previous two years.

CENTRAL DYNAMICS LTD. — A CD 480 Model 8 television switching system undergoing the final stages of system test and clean up. Approximately 90% of Central Dynamics' sales are for T.V. studios in the United States and overseas.

COFFEES OF THE WORLD

1230 Yonge Street
Toronto, Ontario
M4T 1W3
Tel: (416) 923-9078

The Company operates a chain of boutiques featuring coffees, teas and associated products from all parts of the world. In some locations in shopping malls the Company is able to serve poured coffee with a choice of blends. At the end of 1978 the Company had 12 stores in operation including newly opened outlets in Cleveland, Ohio and Washington, D.C., compared with 7 a year earlier.





CONTINENTAL MANUFACTURERS LTD.

965 Edifice Sun Life
Montréal, Québec
H3B 2W6
Tel: (514) 866-1227

Continental Manufacturers Ltd. is a private holding company whose major asset is a controlling interest in Cassidy's Ltd., a nationwide distributor of hotel ware, giftware and floor coverings. Cassidy's sales in 1978 amounted to \$64.5 million compared with \$59 million in 1977, while net income after tax fell to \$619,000 from \$688,000. During the year Cassidy's sold its interest in a subsidiary company, Robinson & Webber Ltd. of Winnipeg. Other subsidiaries of Continental are Lorlea Steels Limited, Gaylord Regitherm Canada Ltd. and Les Industries MKE Ltée, all of which managed to improve sales and earnings significantly over the previous year.

CONUCO LIMITED

P.O. Box 6568 - Station 'B'
Calgary, Alberta
T2P 2E4
Tel: (403) 263-3342

Conuco is a Calgary-based petroleum exploration and development company. CED's investment arose from the acquisition by Conuco of Jasper Oils Ltd., a company which we had helped found five years previously. During the year Conuco also acquired Republic Resources Limited and subsequently announced an amalgamation between Conuco and Exalta Petroleums Ltd., which had a controlling interest in the company. At year end the company's reserves were estimated at 3.5 million barrels of oil and 37.5 billion cubic feet of natural gas and a net interest in 210,325 acres was held in British Columbia, Alberta and to a small extent offshore. An active exploration

program is planned for 1979, utilizing a drilling fund of \$8 million which was subscribed for in 1978.

CONVENTURES LTD.

100, 330 9th Avenue S.W.
Calgary, Alberta
T2P 1K7
Tel: (403) 269-3157

Conventures is a petroleum exploration company based in Calgary which had another active year in 1978. In addition to engaging in petroleum exploration directly the company has a large investment portfolio which at December 31st was valued at \$29 million.

Included in this is a 22% ownership of Alberta Natural Gas Company Limited. The company has interests in 130,000 net acres of land in Alberta, British Columbia and the Arctic, including 5,200 acres in the West Pembina area and 14,700 in Elmsworth. In addition, the company has a 0.1% overriding royalty on 1,011,000 acres in the Arctic, .9% on 213,300 acres in the Beaufort Sea, .65% on 24,600 acres in the Grizzly Valley area of British Columbia, and 5% on 8,960 acres in the Kakma — Elmsworth area of Alberta. It participated in drilling 27 wells in 1978 of which 18 were gas, 3 oil and 5 dry. Revenues during the year amounted to \$5.1 million compared with \$3.4 million in 1977 while net profit rose to \$1.4 million from \$1.2 million.

COROD MANUFACTURING LTD.

P.O. Box 76
Nisku, Alberta
T0C 2G0
Tel: (403) 955-2591

Corod is a private company manufacturing steel rod for use in oil well pumping. For the year ended April 30, 1978 the Company achieved a small profit — the first in its history. However, indications are that because of a slackened demand for pumping rod in Alberta, sales will not be as high as forecast during the current fiscal year and a small loss will likely be incurred. A highlight of 1978 was the installation of Corod on a test basis at the experimental program at Cold Lake, Alberta by Imperial Oil. Preliminary results of the initial test are encouraging and orders were placed for rods to be inserted in additional wells in the area in early 1979.

DIGITECH LTD.

441-5th Avenue S.W.
Calgary, Alberta
T2P 2V1
Tel: (403) 265-3484

Digitech is a public company providing earth science data processing services to the exploration industries. In the year ended June 30th, 1978 revenue rose to \$5.97 million from \$4.4 million and profit rose to \$946,000 from \$231,000. The Company paid its first dividend of 10¢ per share on October 26th, 1978. In the six months ended December 31st, 1978, revenue increased 112% over the previous year to \$5.7 million and income before extraordinary items increased 153% to \$541,000. A profit of \$640,000 was recorded compared to \$403,000 after extraordinary items of \$99,000 and \$189,000 respectively. A semi-annual dividend of 12½¢ per share will be paid on March 2nd, 1979. During 1978, the Company established

two new subsidiaries for the collection of seismic data; DIGISEIS Exploration Ltd. in Calgary and DIGISEIS Exploration, Inc. in Denver.

EVANGELINE SAVINGS & MORTGAGE COMPANY

198 Water Street
Windsor, Nova Scotia
B0N 2T0
Tel: (902) 798-8326

As a savings and loan company in the Maritime provinces Evangeline makes mortgage loans, accepts savings deposits and issues term debentures. In 1978 the company's assets rose 7% to \$28.2 million and net profit after tax was \$137,425. Earnings per share were \$1.31 compared with \$1.27 the year previous and a dividend of \$.55 was declared.

EXALLOY METALS INC.

2736 Slough Street
Mississauga, Ontario
L4T 1G3
Tel: (416) 677-4895

Exalloy is a company that CED helped establish in 1976 to process scrap aluminum into powder for use in industrial explosives and metallurgical applications. During 1978 the Company received modest commercial orders from a customer for the first time but not as much as had been promised, despite the fact that the Company's product continued to perform well in the field. In the meantime, the profitability has been reduced because of the depreciation of the Canadian dollar, since the scrap utilized has to be imported from the United States.

THE INTERCITY COMMERCIAL GROUP

Place Crémazie, Suite 507
50, rue Crémazie ouest
Montréal, Québec
H2P 2R4
Tel: (514) 382-6180

The company is concentrating its efforts on developing Pizza Hut restaurants in Quebec and in Eastern Ontario. The President of the company, André Verdier, has been appointed president of Restaurants La Hutte à Pizza (Québec) Limitée. Five restaurants are now open and another nine are scheduled to be opened by May 1, 1979. The company is studying a plan for the creation of an international marketing organization.

INTERNATIONAL VENTURE CORP. PTY. LTD.

18th Floor, Norwich House
6-10 O'Connell Street
Sydney 2000, Australia
Tel: 285651-2

International Venture Corporation is an Australian-based venture capital group backed by several outstanding Australian companies. The capitalization is however small and at June 30, 1978 the Company had assets of \$840,000 with three major investments, one of which, Barwin Corporation, was in severe difficulties two years ago but has been turned into a profitable operation by the management of IVC.

LOGISTEC CORPORATION

276, rue St-Jacques ouest
Montréal, Québec
H2Y 1N1
Tel: (514) 844-9381

Logistec is a transportation company with subsidiaries involved in stevedoring operations from the

Lakehead to the Maritime provinces, shipping in Eastern Canadian and Arctic coastal waters and ship agency activities throughout Canada and in the United States. Total sales in 1978 were \$39.1 million compared with \$36.9 million in 1977 while the net profit after tax amounted to \$1.1 million (79¢ per share) compared with \$1.0 million (62¢ per share) the previous year. During the year Logistec acquired all the outstanding shares of March Shipping Limited, one of Canada's largest ship agencies, and disposed of its trucking and mobile crane operations in Eastern Canada. Early in 1979 the dividend rate on the common shares was increased to 24¢ from 16¢ per annum.

MICC INVESTMENTS LIMITED

Suite 1212, The Simpson Tower
401 Bay Street
Toronto, Ontario
M5H 2Y4
Tel: (416) 366-6231

MICC Investments Limited, through its wholly owned subsidiary, The Mortgage Insurance Company of Canada, provides insurance on residential, commercial and industrial mortgages, insures the timely payment of rent under commercial leases and provides the insurance protection offered by the Ontario and Quebec New Home Warranty Programs. Net premiums written rose to \$44.4 million from \$33.2 million in 1977 and gross income rose to \$43.4 million from \$31.9 million. Losses on claims incurred were sharply higher at \$20.6 million compared with \$8.8 million in the previous year and, in consequence, net profit available to common shareholders, after payment of preferred dividends, was \$9.5 million compared to \$12.5 million. Earnings per common share for 1978 amounted to \$1.66 compared with \$2.19 in 1977. The

company raised \$45 million of additional capital through the issuance of preferred shares and convertible preferred shares. By year-end, the investment portfolio amounted to \$269 million compared to \$200 million at the end of 1977.

MIL INDUSTRIES LTD.

6307 Laurel Street
Burnaby, B.C.
V5B 3B3
Tel: (604) 299-7591

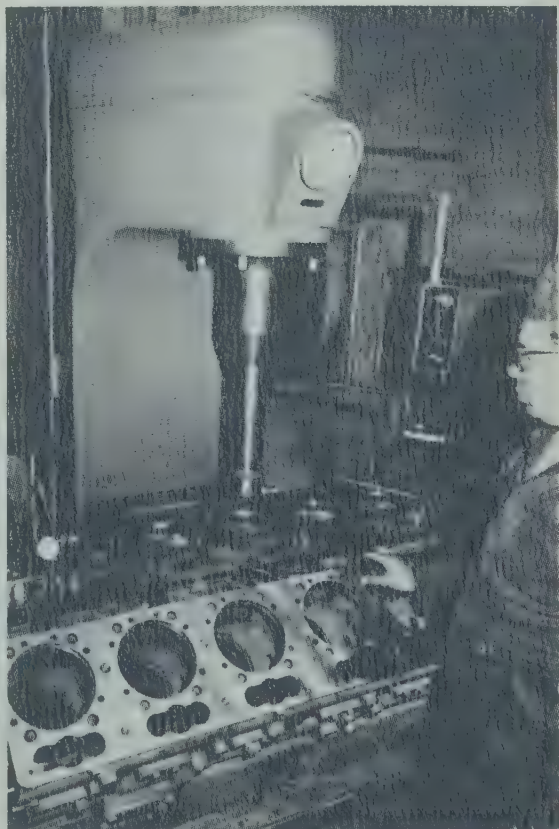
MIL manufactures steerable 360 degree propeller drives at its main plant in Vancouver. Through a subsidiary, Headhunters Ltd., it repairs major components of diesel engines at plants located in Edmonton, Calgary, Kamloops and Winnipeg. A subsidiary of Headhunters, Lakeman and Johnson, distributes and services hydraulic equipment in Edmonton and Calgary. Consolidated sales and earnings for the year ended August 31, 1978 were ahead of 1977. Highlights for the year include the receipt of an order from New Orleans for the largest deck-mounted propulsion unit ever ordered and the receipt of an order for large horsepower propeller drives from B.C. Ferries Corporation Ltd. for three new ferries.

MOTORMAN INC.

4290 Mavis Road
Mississauga, Ontario
L5B 2B9
Tel: (416) 276-6988

Motorman is a company that CED helped start in 1977 to establish a chain of garages for the repair and servicing of automobile engines (mainly ignition systems, carburetors and electrical systems) and brakes. The Company emphasizes first quality products and service and the use of modern diagnostic equipment. Two

units were established initially on leased premises in Burlington and Scarborough, Ontario in the fall of 1977. Subsequently, the Scarborough unit was closed but the Burlington unit has flourished and is obviously meeting a market need. The challenge now is to determine whether systems and procedures may be developed that will enable Motorman to operate a number of units with the same quality of service.



MIL INDUSTRIES LTD. — These photographs show a diesel cylinder head being remanufactured by Headhunters Diesel Heads Ltd., a subsidiary of MIL Industries Ltd. The procedures followed by Headhunters produce cylinder heads which are accepted internationally as being "as good as new".

PACIFIC RIM GROUP INC.

18623-12th Place South
Seattle, Washington 98148
Tel: (206) 246-5406

This Seattle-based company operates a chain of seven wilderness resorts (marketed to the public as Thousand Trails Preserves) in the Northwest United States and British Columbia. These facilities are open only to members who purchase a membership and pay an annual maintenance fee. In addition to the normal features one would expect for the accommodation of trailers and camping, the facilities include swimming pools, tennis courts, pitch-and-putt courses, indoor recreational facilities and, in some instances, are associated with golf courses as well as horseback riding and hiking. Professional recreational directors at each Preserve supervise parties, dances, games, tournaments, plus teach tennis and swimming for those members interested. In addition to the recreation supervisors, each preserve has a 24-hour security staff

and maintenance staff. At the end of 1978 there were approximately 8,200 members and the company plans to open two new resort areas in 1979.

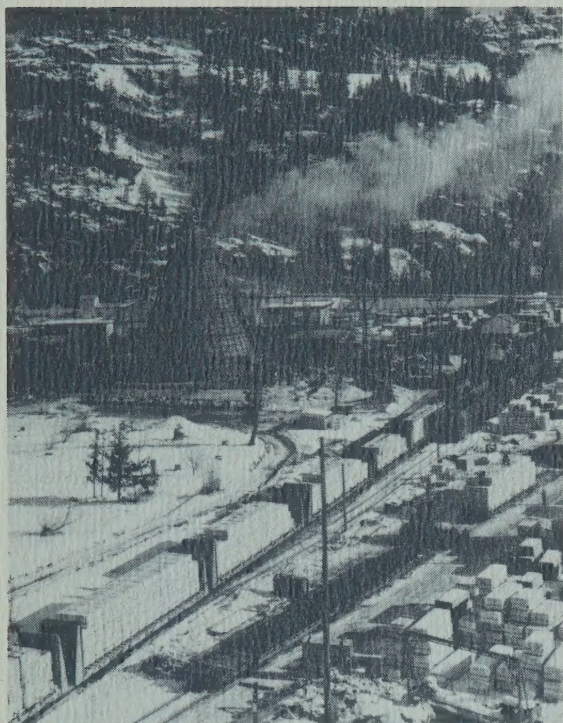
SLOCAN FOREST PRODUCTS LTD.

Airport Executive Park
240-10451 Shellbridge Way
Richmond, B.C.
V6X 2W8
Tel: (604) 278-7311

Slocan operates a sawmill at Slocan, British Columbia and has cutting rights of approximately 100 million fbm per annum on a sustained yield basis. The operation was acquired by management from its former owner, Triangle Pacific Ltd. of the United States, in June of 1978 and CED's investment helped bring this about. Conditions in the lumber market were highly favourable throughout 1978 and in consequence the Company achieved sales and earnings considerably higher than forecast. We hope that these conditions continue in 1979.



PACIFIC RIM GROUP INC. — Some of the reasons why there is a ready market for memberships in Pacific Rim's wilderness resorts.



Wrapped lumber being shipped from the sawmill of Slocan Forest Products at Slocan, British Columbia.

UNICAN SECURITY SYSTEMS LTD.

5795 Avenue de Gaspé

Montréal, Québec

H2S 2X3

Tel: (514) 273-0451

Unican manufactures security hardware and furniture hardware at plants located in Montreal, Quebec and Rocky Mount, North Carolina. A subsidiary company, Simplex, Inc. manufactures push-button locks in Hartford, Connecticut. In the year ended June 30, 1978 sales rose to \$28.3 million from \$24.8 million the previous year and net profit to \$1.1 million from \$437,000. In the six months to December 31, 1978 further improvement occurred with a net profit of \$709,000 compared with \$320,000 a year earlier. In addition to broadening its market in the United States the Company has generated sales in Europe and the Middle East. Through a combination of retained earnings and term financing, the Company has been able to strengthen its balance sheet considerably; at December 31, net working capital amounted to \$6.0 million, whereas two years previously it was only \$1.2 million. The outlook for the balance of the current fiscal year is encouraging.

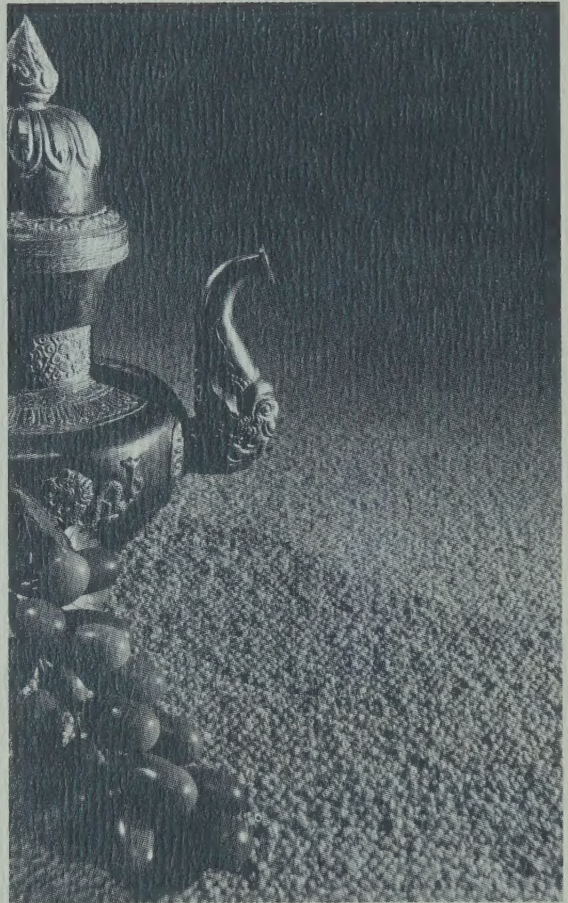


UNICAN SECURITY SYSTEMS LTD. — Keys manufactured by Ilco, one of Unican's subsidiaries in the United States, are available in the Middle East.

WESTMILLS CARPETS LIMITED

2423 2nd Avenue S.E.
 Calgary, Alberta
 T2E 6K1
 Tel: (403) 273-6000

Westmills manufactures carpet at its plant in Calgary, Alberta (the only mill west of Ontario) and a subsidiary spins carpet yarn at Meaford, Ontario. Sales for the year ended August 31, 1978 were \$17.5 million, down from \$21.7 million the previous year. A net loss of \$1.3 million was reported versus one of \$1.2 million the previous year. Under the direction of a new management team, Westmills embarked on an aggressive program to consolidate its facilities and to reduce its fixed costs to permit profitable operations at lower sales levels. Progress in this respect was indicated in the first quarter of the current fiscal year when, despite a 17.5% drop in sales from a year earlier, the net loss was \$146,000 compared to \$244,000. The cost reduction program is continuing and management has been developing new customer relationships and new product offerings which will permit the company to regain market position in coming months.



Down through the ages the natural texture and warmth of the 'homespun look' has not only endured, but gained in popularity. Created by WESTMILLS . . . 'Concorde' carpet retains the same charm and pride in craftsmanship that produced the 'Berber' look centuries ago.

